

Top Secret 219

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NATIONAL INTELLIGENCE DAILY CABLE

Wednesday 15 November 1978 CG NIDC 78/266



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NATIONAL SECURITY INFORMATION
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National Intelligence Daily Cable for Wednesday, 15 November 1978.

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The NID Cable is for the purpose of informing senior US officials.

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ISRAEL: Gaza Strip Settlement

25X1 [] Agriculture Minister Sharon's proposal for an Israeli urban center in the Gaza Strip appears timed to capitalize on Israeli irritation over new Egyptian demands for a future role there and to encourage the Begin government to reassert its claims to the area. Sharon's proposal, which apparently has not been discussed by the Israeli cabinet, has generated a mixed response from political leaders and little public enthusiasm.

25X1 [] Sharon's plan, developed by Labor leaders several years ago, calls for establishing thousands of housing units and an industrial area of 3,500 acres in southern Gaza. The urban center is designed to replace the large Israeli settlement at Yamit in the Rafah Approaches of northeast Sinai, which is to be evacuated as part of an Israeli-Egyptian peace agreement.

25X1 [] Israeli press commentators and most of the Labor opposition have criticized Sharon's proposal as likely to damage peace talks and as poorly thought out. Reaction within Prime Minister Begin's Likud bloc has been divided. Many in the party may be hoping to avoid a rancorous internal debate on the issue at present and instead concentrate on more important peace negotiation issues. The cabinet is scheduled to debate problems in the draft peace treaty today and tomorrow.

25X1 [] The US Embassy in Tel Aviv believes the government's reaction to Sharon's proposal will be influenced by progress on the negotiating front, in particular by how hard Egyptian President Sadat pushes his demand for a future role in Gaza. The Embassy suspects, however, that Sharon's action may already have set in motion contingency planning within the settlement department of the Jewish Agency that could over time lead to some expansion of the Israeli presence in Gaza.

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BRAZIL: Pre-Election Report

25X1 [] //Brazil's military government is concerned that the opposition will make substantial gains and might even win control of the lower house of congress in today's congressional and state elections.//

25X1 [] //The government is edgy for a number of reasons. After more than 14 years of arbitrary rule, the populace is clearly weary of unelected governments and increasingly difficult economic conditions. Last month, a new president, retired General Joao Baptista Figueiredo, was chosen by a special electoral college; in September new state governors and one-third of the federal senators were indirectly selected. Today's elections will be by direct popular vote.//

25X1 [] //Brazil's military rulers want to extricate themselves from the active exercise of power, but disagree over how far and how fast to move. Figueiredo, handpicked by incumbent President Geisel, promises substantial liberalization of the regime, but many Brazilians question his sincerity and ability to deliver.//

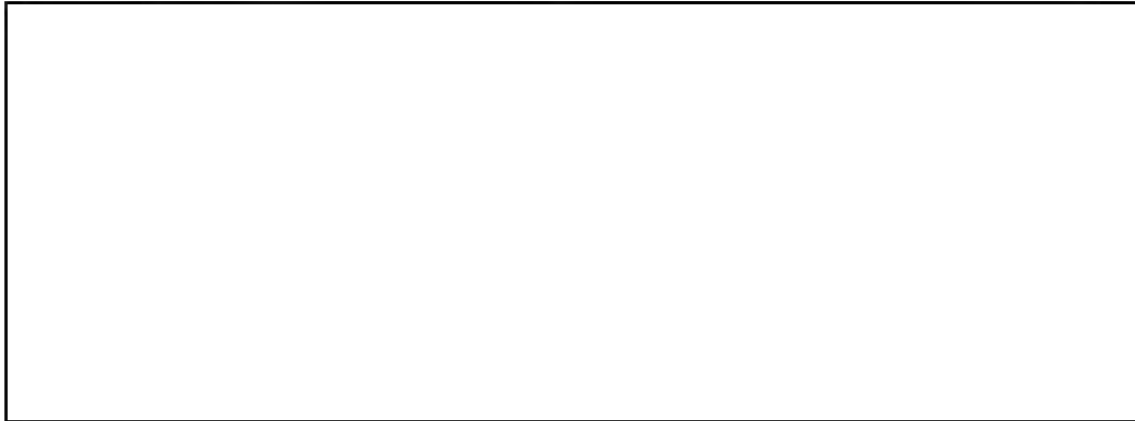
25X1 [] //The campaign that preceded today's elections was, by Brazilian standards, extraordinarily strident. Antiregime politicians not only attacked the regime's political and economic policies, but some have even accused Geisel, his top advisers, and Figueiredo of flagrant abuse of authority and corrupt practices. The corruption charges do not appear likely to affect the results of the balloting.//

25X1 [] //The regime's uneasiness over public discontent and the opposition's daring campaign tactics could induce Geisel to use his sweeping powers, which expire 1 January, to silence a handful of the most caustic critics by canceling their political rights. In any event, Geisel is almost certain to oversee a major revision of the political party system before Figueiredo takes over next March. The extent of the changes will probably hinge on how successful the opposition is today. []

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TANZANIA-UGANDA: Announcement

[Redacted] President Amin announced yesterday he had ordered his troops to withdraw to the recognized borders of Uganda without the conditions he had previously demanded of Tanzania. The Tanzanian Government promptly asserted that Amin is in fact reinforcing his positions.

[Redacted] The withdrawal announcement probably came as a result of pressure from the Organization of African Unity and Amin's realization that continued occupation would be counterproductive. Amin may reason that he has humiliated Tanzanian President Nyerere sufficiently by occupying Tanzanian territory and that he has little need to risk testing his unreliable troops against a Tanzanian counteroffensive.

[Redacted] Despite African distress over the Ugandan invasion, Amin may believe that subsequent publicity about Tanzanian support for anti-Amin exiles--a violation of OAU tenets--has substantiated his claims about Tanzanian provocations. Amin has probably been encouraged by the fact that the invasion has not incurred the widespread African condemnation Nyerere had hoped for, and that African support for Nyerere has been lukewarm.

[Redacted] //Tanzania's rejection of Amin's withdrawal announcement may indicate that Dar es Salaam

intends to continue the fighting at least to the point where it can claim credit for driving out the Ugandans.

Even if the Ugandans pull out of the occupied territory, the destruction of the key Kagera River bridge will delay for a week or more any buildup of Tanzanian forces north of the river.//

NORTH KOREA: Sources of Currency

//North Korea, now in its fourth year of default on Western credits, is having some success obtaining new sources of hard currency to meet some of the interest due on its \$1.7 billion debt. Exports of military equipment and a hard currency credit from Iraq will yield approximately \$125 million this year. China is also reported to have provided Pyongyang a hard currency credit.//

North Korea's arms sales have risen sharply in the past few years in contrast to a decline in other hard currency exports and are expected to bring in \$75 million this year and possibly \$100 million in 1979. Five years ago, earnings from military sales were only a few million dollars.

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[REDACTED] Interest on North Korea's debt is nearly \$100 million a year. Since 1974 the government has not been able to meet these obligations, much less make principal payments. This year, interest payments have been made on a more regular basis to the Japanese and to some European creditors; one \$4 million principal payment has also been made.

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[REDACTED] The government's recent successes in finding new sources of hard currency does not mean it is out of the woods financially. Total debt servicing requirements are about \$140 million this year and will rise to more than \$500 million in 1983. Hard currency export earnings amounted to only \$225 million last year, not even enough to cover the more than \$300 million in hard currency imports.

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BRIEFS

Algeria

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[REDACTED] Algerian President Boumediene returned home yesterday from a seven-week stay in Moscow for medical treatment. His return, especially if his health is not chronically impaired, should quiet speculation in Algiers of imminent government changes.

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[REDACTED] Boumediene was accompanied by Foreign Minister Bouteflika. Despite speculation that Bouteflika aspires to succeed Boumediene, the Foreign Minister's actions--stopping in Moscow before and after the Baghdad summit and then accompanying the President home--indicate that Boumediene is still in control. [REDACTED]

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International

25X1 [] Negotiations between natural rubber producing and consuming nations, which started Monday in Geneva under UNCTAD auspices, face a number of stumbling blocks that may prevent agreement by 8 December, the target date for the end of the conference. Disagreements on key issues will probably result in compromise or deferral of the issue for further study.

25X1 [] There are three potential areas of disagreement: the size of a buffer stock to prevent serious price fluctuations, export controls, and export taxes.

25X1 [] Natural rubber is the first of 18 commodities under UNCTAD's Integrated Program for Commodities to reach formal negotiation for a new agreement. If these negotiations fail, many see little chance of concluding any commodity agreement under the Integrated Program.

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